HOW CUSTOMER BEHAVIOR HAS CAUGHT FINANCIAL INSTITUTIONS IN A WEB OF TECHNOLOGY

BRETT JESSON,
SENIOR VICE PRESIDENT - SALES, INDUSTRY SPECIFIC BPO

The financial crisis of 2008 taught the world that no one was too big to fail. The wave of collapse that started in the US soon found its way to the UK's shores. The result: in late 2008, the struggling Royal Bank of Scotland Group was nationalized, with the government's stake rising to 84 percent by 2009; while other UK giants, such as Barclays and HSBC, had to raise capital by new share issues to preserve their capital ratios.

However, by mid-2010, the banking sector saw the emergence of a new kind of bank – the curiously named 'challenger' banks, who were looking to take on customers of the Big 4 in the UK: HSBC, Royal Bank of Scotland, Barclays and Lloyds. These new banks already had the advantage of not having to maintain legacy technology. On the contrary, they were flexible, agile, and had the ability to react quickly to changing market conditions. Technological developments also made it easier for these new entrants, who were not faced with the high entry barriers that older players had to deal with.

Managing Web-savvy Customers

With more customers doing their research online before making decisions, legacy players will have to leverage their web channels. Today, customers looking for mortgages have more choice when it comes to providers. They are turning to online research and community-based validation rather than relying on brands.

The savvy new entrants are also engaging with prospective customers in more interesting ways. A case in point is the online bank, Fidor, which has eschewed the brick-and-mortar set-up. One of the ways it engaged with customers was by encouraging them to create 'help' videos for other customers. If the bank approved and uploaded the video, the creator got paid. It also

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increased current account interest rate by 0.1 percent for every 2,000 likes the video received on Facebook.

Therefore, today, the main opportunity for change is not in the front offices or branches, but at the back-end – in the warehouse of business where innovation needs to be a constant to encourage engagement.

The Web of Technology

In the new regulatory environment, customer demands and the pace of their changing behavior have resulted in a huge gap between the existing infrastructure of banks and their capability to deliver new services. The challenge lies in understanding customer expectations, usage, and patterns. To sustain a leadership position in providing services, banks have to re-evaluate their processes. Once again, technology becomes a key decider.

However, the impact of the financial crisis on capital provisioning means that funds that would otherwise have been invested to address structural elements (technology, infrastructure, products and so on.) have been locked up. And for most legacy institutions, the need to develop and run ways to engage with the customer, such as mobile applications, has put a strain on older technology.

Entangling the Web

Business Process Management (BPM) companies can step in to develop specific support for financial services businesses, especially banks. By engaging in a strategic partnership with financial institutions, BPM providers can offer various levels of support. This includes:

- Taking over end-to-end management of legacy assets, and books of banking and financial institutions. BPM players leverage their vertical-specific domain expertise to manage technology, people, supply chains, and so on. They would also take care of process improvements, including automation, robotics, and re-engineering, thereby helping to reduce the cost of managing closed / discontinued books
- Ensuring omni-channel brand experience by interacting seamlessly with customers across channels, driving channel optimization, and reducing costs

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